

# RESEARCH HIGHLIGHT

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## Growth Management and Affordable Housing in Greater Toronto

Affordable housing has strong links to two issues prominent on the urban agenda: high-need neighbourhoods with concentrated poverty and urban growth management. Both are connected to broader urban prosperity and quality of life.

Using the large body of prior research and custom census data, strong links can be drawn in Greater Toronto between widening income disparities, suburban growth patterns, affordable housing, inner-suburban poverty and immigrant settlement.

### CONVERGING FORCES

In the years since 1980, the patterns of "who lives where" in Greater Toronto have greatly shifted. Affluent majorities and lower-income minorities increasingly live in different districts and neighbourhoods.

Since 1980, two great changes have converged to create the new housing landscape.

The first is in the labour market—and immigration is tightly entwined with this. The second is in the "city-building" or urban development regime—and affordable housing patterns (social and private rental) are inseparable from that.

Disparities are much wider today in jobs and income. Most of the disparities affect new immigrants. New suburbs are built with little rental or affordable housing, and therefore there is much less income mix. Renters and newcomers, with lower incomes than before, are channelled into the limited supply of moderate-cost housing, mostly in inner suburbs. These factors and these housing market dynamics have driven the rise in concentrated poverty.

### A CHANGED LABOUR MARKET AND POPULATION

Professional and managerial jobs account for half of urban job growth in recent years—a disproportionate share. This has meant great upward movement in income and has propelled great outward mobility to newer suburbs—but not for lower-income households.

The lower-income, one-third of households have flat or declining incomes. Until the 1990s the Canadian tax and transfer system offset polarizing trends in income. Since then, the evidence of widening disparities is conclusive: Canada and Toronto are inching toward the polarized labour force seen more sharply in the United States and United Kingdom since the 1980s.

In the Toronto city-region, low and moderate incomes—the bottom 40 per cent of the income spectrum—barely rose in real terms from 1981 to 1991 and declined from 1991 to 2001. The median income for this group was \$23,700 in 1981; \$27,400 in 1991 and \$26,200 in 2001.<sup>1</sup> Top quintile income rose greatly: above \$80,100 in 1981; above \$99,400 in 1991 and above \$106,200 in 2001.

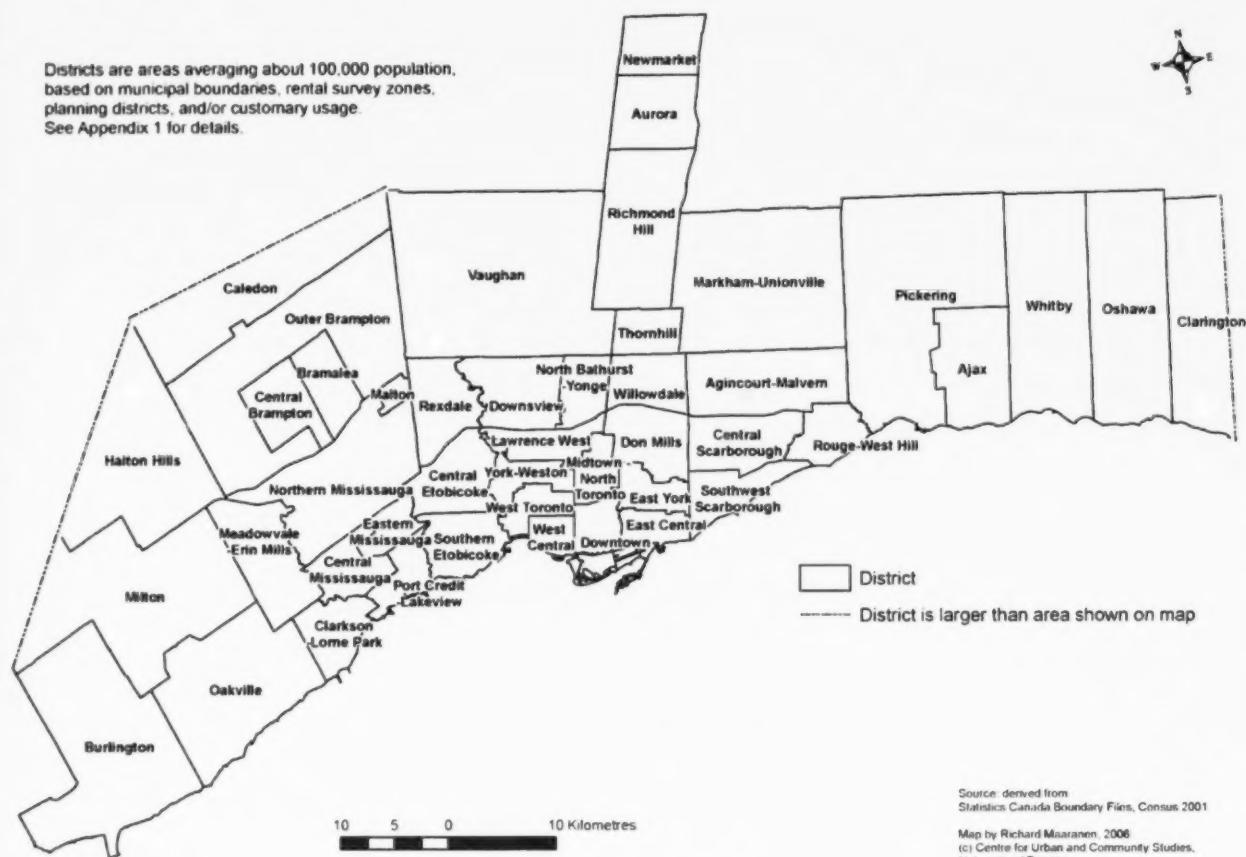
New entrants to the regional labour market, that is, youth and new immigrants, are most affected by change, as firms come and go, as one sort of job replaces another. Declining immigrant incomes and slower catch-up are a nationwide trend. New immigrants have absorbed the entire impact of rising disparities, with no worsening in low income among Canadian-born. For Greater Toronto, receiving about 100,000 new immigrants a year, the neighbourhood impacts are profound.

Middle- and upper-income demand dominates homebuilding and prices more strongly than lower- and moderate-income demand. Wider income differences mean larger disparities between the homes and neighbourhoods that poor and affluent households can afford.

1 CMA first quintile cut-offs census data for prior year, CPI-adjusted and rounded.

## Research Highlight

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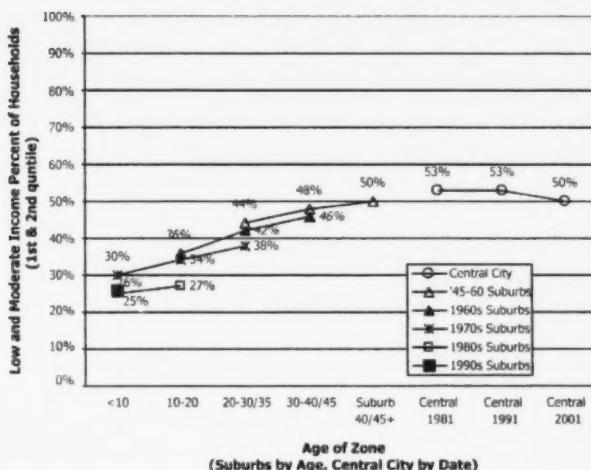
**Figure 1** Greater Toronto districts

## NEW CITY-BUILDING MODEL

Inner suburbs, outer suburbs and the central city have quite different income and tenure profiles, and quite different "trajectories." Inner suburbs are those built from 1945 to the 1970s; outer suburbs are those built since then. We can compare the mix of income, housing type and tenure, family type and immigration status, for urban and suburban "districts" of about 100,000 people (see figure 1). Districts are grouped into "age-zones" based on predominant age of housing (see figure 2).

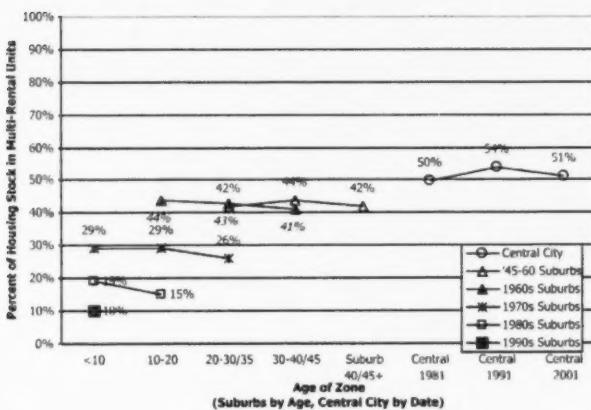
The difference between inner and outer suburbs arises from their different stages of maturity, but also the different amounts of multi-rental housing. From 38 to 46 per cent of inner-suburb households are low- and moderate-income. Not surprisingly, there are fewer (25 per cent) in newer, outer suburbs. But in 1981, in the then-still young postwar suburbs, 38 per cent of households were low- and moderate-income—almost the city-region level (see figure 3).

**Figure 2** Aging of Suburban "Cohorts"



**Figure 3** Low and moderate income trajectory by zone

Today's new suburbs are built with little multi-rental housing; generally, between 10 to 20 per cent of units, but lower—and dropping year by year—in newer areas. By contrast, in Toronto's postwar suburbs in 1981, when the oldest was 35, 40 to 45 per cent of the housing stock was multi-unit rental (see figure 4, figure 5).



**Figure 4** Multi-rental trajectory by zone

From the 1950s to the 1970s, market and policy conditions created a large rental stock sprinkled across the postwar suburbs. An average year saw about 3,000 private rental units built. These conditions no longer hold.

■ **Market and demographics.** Baby boomers, once young and renting, are middle-aged; the elderly have better incomes; mortgage interest rates are lower. So more people own their home; rentals are a smaller market share with dropping incomes.

■ **Policy.** Tax law was favourable to rental developers in the 1960s. From the 1960s to the 1980s, Toronto averaged more than 2,000 new social housing units a year. Most of the new units were in inner suburbs. From 1976 to 1990, the average dropped to more than 1,000 new, publicly assisted, private rental units a year.

Inner-suburb locales were reinforced by metropolitan planning of public housing in the 1960s, and by the roots of community-based non-profit housing sponsors after that.

In the mid-60s, Toronto's poor and new immigrants still lived in a ring around the central city. By 1980 they mostly rented where they still do today, in suburbs built from the '50s to the '70s. There was a fairly even spread of poor and affluent, of newcomers and others across Toronto. This meant more "macro" social mix than in most U.S. cities or in Greater Toronto today.

Since about 1980, as the city-region grew each year, the homeowner sector moved steadily out of the inner suburbs while the income profile of the rental sector in the inner suburbs shifted downward. In 1981 a renter was 15 per cent more likely than an owner to live in an inner suburb; by 2001, 50 per cent more likely.

## RENTAL AND OTHER TRENDS

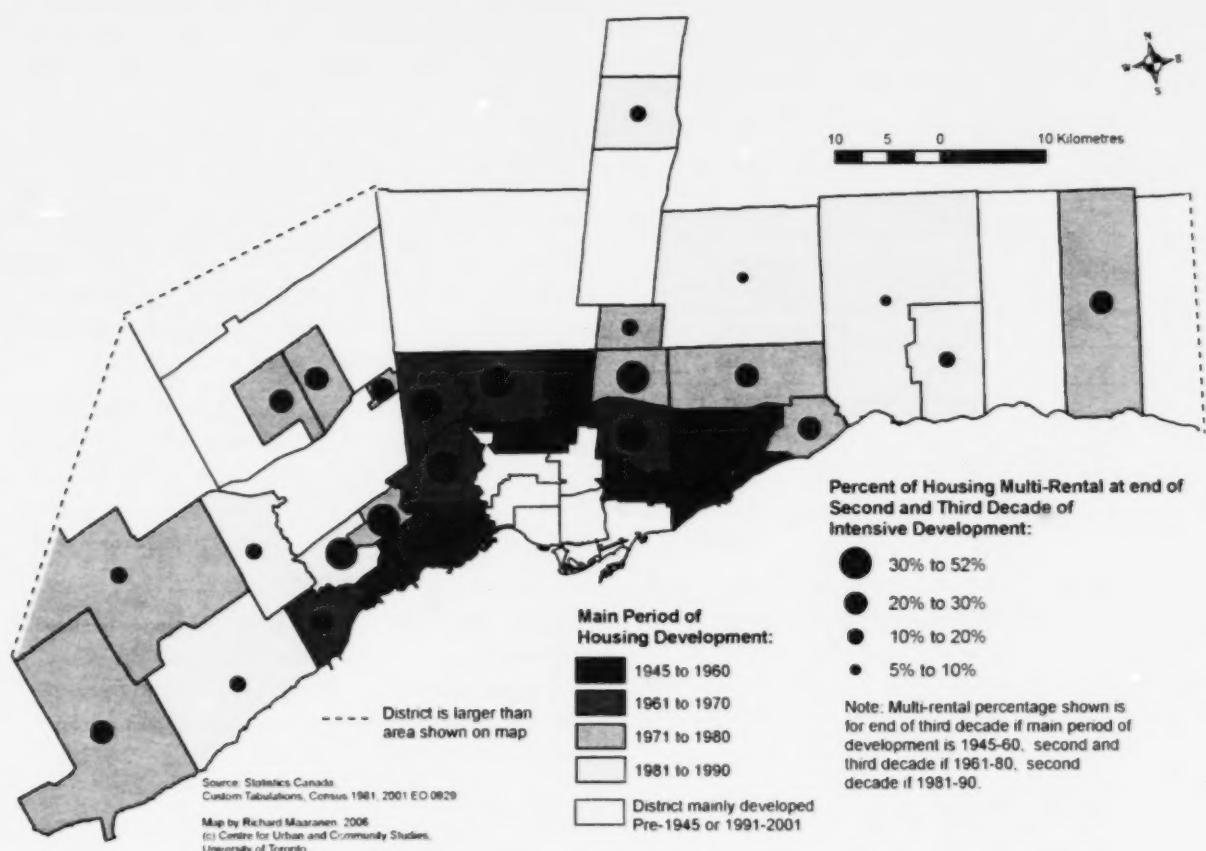
Homeowner incomes subside predictably as suburbs mature, the pattern changing little from 1981 or 2001. Low- and moderate-income owners grow from 1 in 5 owners from 1981 to 1991 to 1 in 3 by 1991 to 2001. This shift accounts for just over half of inner-suburban income decline.

In the rental sector today, newcomers and others, with lower incomes than before, find few options in the outer suburbs and are outbid in the gentrifying central city. The pull of ethnic neighbourhoods and better transit plays a role, but the housing market drives it. At any time, inner suburbs have most of the available lower-cost rental units and most of the family-sized units. On average, the number of low-income (bottom quintile) renters grew by 2,400 to 3,300 a year from 1981 to 2001. Between 55 and 60 per cent were absorbed in the inner suburbs.

Social housing is estimated to have absorbed less than half the net increase in low and moderate-income multi-rental households from 1981 to 2001. As production tailed off in the '90s and income trends worsened, more of each year's added low- and moderate-income renters have been absorbed by private rental, especially in the inner suburbs.

## Research Highlight

### Growth Management and Affordable Housing in Greater Toronto



**Figure 5** Per cent multi-rental as suburbs mature by district in Greater Toronto

Recent immigrants' presence in the multi-unit rental sector doubled between 1981 and 2001, reaching 1 in 4 households. These accounted for 85 per cent of increase in low- and moderate-income households and all net rental growth. Between 1981 and 2001, there was a net annual increase in Greater Toronto of 4,000 to 5,000 low- and moderate-income immigrants. Close to half of these immigrants were housed in inner-suburban rental units. New-immigrant renter-income profiles, and income decline, are similar to other renters, except in the central city. New-immigrant homeowners have very different locations, similar to other homeowners (see figure 6). All this suggests income and rental locations as main drivers of where new immigrants live.

The result is that the multi-rental housing which once created "macro" social mix is now the "site of disadvantage" in a polarizing and more racially stratified city-region. Rental growth is skewed to low incomes; indeed "very low" incomes (bottom decile) accounted for one-third of rental growth in the 1980s and half in the 1990s. Within inner-suburban rental, low incomes rose from 32 to 38 per cent of households from 1981 to 2001; the broader "low and moderate" category from 60 to 67 per cent. Spread unevenly by neighbourhood, this was enough to produce a leap in concentrated poverty.

## THE CITY-REGION'S THREE RINGS

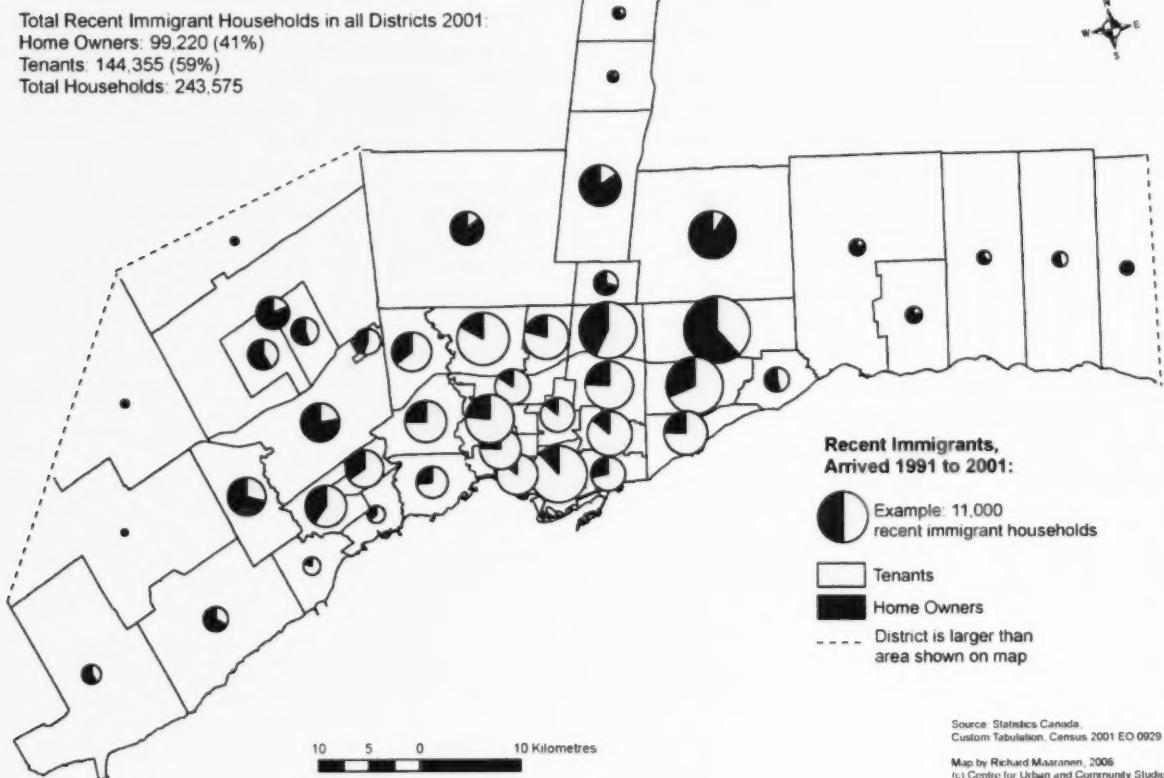
These patterns reinforce Greater Toronto's three distinct and well-known rings. Without purposeful intervention, today's trajectory in Greater Toronto appears likely to continue.

- The **central city, built up to 1945**, has rising homeowner incomes, but retains far more social mix than outer suburbs. The private rental sector is quite distinct, with higher and rising incomes. The apparent trend and prospect is more gentrification, development more skewed to middle and upper incomes and a rental sector more polarized between middle-class tenants and social housing.
- The **inner suburbs, built from 1946 to the 1970s**, offer the main lower-cost housing options, and absorb close to half the city-region's annual growth of 12,000 low- and moderate-income households. These are mixed, not deprived areas, but with rising disparities by neighbourhood; low- and moderate-incomes account for most net growth. The trajectory of many residents is upward and outward to better incomes and areas; but the area's trajectory is downward, as newcomers arrive each year and second-generation disadvantage deepens in some cases.

Inner suburbs appear set to continue absorbing increasing low- and moderate-income demand. This arises from homeowner aging in place and down-filtering, concentration of rental stock, decline in renter and new-immigrant incomes and the contrary central-city rental trend. This means a shift of up to 20,000 of multi-rental units each decade downward to moderate—and especially—low income. A more segmented rental market will tend toward more concentrated poverty. If trends continue, the low- and moderate-income share of inner-suburb tenants would approach 75 per cent by 2021, compared to 60 per cent in 1981.

- The **outer suburbs, built since circa 1980**, have a broad mix of middle and upper incomes, and capture almost 90 per cent of such growth. But their fast growth accounts for a large slice of increase in all income levels and household types. But homeowners are dominant and the rental sector shrinks each year in relative terms.

New suburbs will continue absorbing most middle- and upper-income growth. But outer suburbs are now half the city-region, and with age they will diversify further, with more elderly, working poor, young adults and new immigrants.



**Figure 6** Recent immigrant households by district—Greater Toronto, 2001

## GLOBAL PATTERNS

Like global labour force and migration patterns, versions of this urban landscape are found in most “world cities” of the Western world. Toronto’s trends are usefully understood in this context, as resulting from high-level forces. For example:

- High immigration, rising ethno-racial diversity and more racially stratified labour forces are found in most “world cities.” Few second-tier world cities match Toronto’s population of more than 40 per cent foreign-born, yet most have 25 to 40 per cent foreign-born, one-third or more being recent immigrants. Job growth in “world cities,” the nodal points of the global economy, propels upward mobility for established residents, and draws migrants seeking opportunities.
- Most big Western cities today have more neighbourhood separation by income and ethno-racial group, central-city gentrification, a postwar rental sector in “declining” inner suburbs and outer suburbs more auto-dependent than before.

## THE FALLOUT FROM THESE PATTERNS

These “world city” patterns feed a city-region of widening social distances. The greatest fallout is borne by disadvantaged residents and neighbourhoods. Housing market dynamics feed concentrated poverty and related social problems. “Neighbourhood effects” have adverse consequences for children and youth, and for schools and local services. Housing stress—affordability, quality, crowding, risk of homelessness—is concentrated here, as are adverse effects on health and quality of life.

But a more divided urban landscape has implications for the broader community. A widening gap between affluent and disadvantaged areas may fray overall social cohesion and sense of community. It creates uneven fiscal stresses on different municipalities and may undermine an already fragmented city-region polity. It may affect successful integration of immigrants and lead to rising ethno-racial inequality. It can contribute to more crime. It poses risks of disinvestment and neighbourhood “decline.” It may impair urban quality of life and, therefore, prosperity.

## CONNECTING AFFORDABLE HOUSING AND GROWTH MANAGEMENT

These challenges point to making affordable housing policy more fully part of urban growth management. Policy discourse in the United States has started to embrace the language of “regional equity” and “fair growth.” This aims at giving people of all income levels a chance to live across the city-region; ensuring housing mix in new areas to avoid concentrated poverty in older areas and enabling low-wage workers to live near jobs.

Affordable housing is a central part of regional equity, along with transit investment, labour force training and child care, equitable school funding and standards, fair taxation, adequate local services and neighbourhood interventions.

The regional equity agenda in American cities is not just about race, the American divide of black and white, and the American “inner city.” It is explicitly about income and social class, inner suburbs, “Canadian-like” cities such as Seattle or Minneapolis, and cities where ethno-racial disparities today are immigration-related.

Several strategic thoughts can be drawn from the policy literature:

- **Growth management can pose challenges to affordable housing, but there are also synergies.** Affordable housing supports growth management goals of less commuting, transit-supportive densities and less outward pull of “sprawl.”
- **Neighbourhood issues must be understood in the context of the city-region housing market.** Conditions in poor neighbourhoods arise from unequal access to opportunities across the city-region. While neighbourhood problems require responses in local services and in broad social policy, concentrated poverty cannot be addressed within a neighbourhood or in broad social policy. It arises from the way the housing market functions across the city-region.
- **Affordable housing is an immigrant settlement issue.** High immigration and cumulative workforce trends mean that many immigrants first settle in pockets of concentrated poverty, away from areas of job growth. If stemming the trend to low-income immigrant enclaves is a goal, housing policy is the main route to it.
- **Job access is an issue to watch for in Greater Toronto.** Low-wage workers should be able to get to areas of job growth and employers should be able to readily find workers. The legacy of mixed-income inner suburbs still puts low-wage workers within 5 to 10 k (3 to 6 mi.) of the main job growth areas. But another 20 years of suburban expansion on today’s model would mean U.S.-style job access issues.

- **The city-region, along with the neighbourhood, is the spatial scale where “place-based policy” gets most real.** Alleviating concentrated poverty or tackling job access requires action at the scale of the city-region housing market and labour market. In the absence of governance reform, regional approaches can be led by the province and through unitary/upper-tier municipal co-operation.
- **Third sector, business or multi-sector voices have played a vital role** in putting regional equity on the public agenda in American cities. Social-sector voices in the U.S. have moved beyond the focus on existing communities and neighbourhood interventions and increasingly see the regional frame for local trends and issues.
- **Housing mix in new suburbs is paramount in regional equity.** The mix of housing stock created when each area is young shapes an enduring income profile. Lack of mix in outer suburbs, far more than gentrification, channels low- and moderate-income demand into parts of the inner suburbs. Funding and regional growth management are far more important in this than local land use planning.
- **Careful housing program choices are vital for inner suburban areas under pressure.** They can safeguard housing quality, create reinvestment, alleviate affordability issues and rebalance the social mix. The menu is wide.
- **Social housing is not a main vector of declining income and neighbourhood change.** Most low-income people live in private rental housing. The increase in low-income renters per year is a couple of thousand or more; the increase in affordable housing units is a few hundred. Social housing investment is the main way to offset negative market trends.

## POLICY OPTIONS

The market trends described here are far beyond the scale of any likely policy response. But policy choices can mitigate these trends and help maintain a mixed city-region.

Other jurisdictions show several main housing policy options as means to regional equity. Many are familiar, but there is a need to understand them more fully as means to ensure mixed communities, job access and social inclusion across the city-region.

- **Public investment and subsidy.** Building affordable housing in new suburbs will shape social mix and integration there and in older neighbourhoods too. But this requires a scale of funding and is only sufficient to absorb a good share of ongoing annual increase in low-income renters. U.S. regional funds and revenue sources are means to augment federal/state funding, and well-suited to supporting regional strategies. Region-wide allocations and targets are essential.

- **Inclusive development.** Requiring all new development to include some affordable housing is standard in planning in England and in many U.S. locales. This responds fittingly to the urban land market, where land value is created by public decisions, and where dominant middle- and upper-income demand prices out the poor. Inclusive development does not replace the need for public investment, but can ensure mixed communities and housing near jobs.
- **Rental assistance.** Housing allowances (vouchers) are a tool for de-concentrating poverty in U.S. city-regions. Vouchers are not a substitute for creating affordable rental in new suburbs. But they give people with low incomes a wider choice of neighbourhood. Choices between supply-side and demand-side programs must consider macro social mix across the city-region.
- **Land use and development policy.** Regional equity reinforces the importance of zoning for multi-unit developments, and reducing barriers in the development approval processes.
- **Reinvestment and renewal in low-demand districts.** Reinvesting in “declining” areas—whether social housing, private rental or homeownership—is a counterforce to sprawl, a way to draw housing demand back from the fringe to existing urban districts. The market will lead in some areas, but public funding and incentives are often needed in areas of concentrated poverty and declining status.
- **Protecting existing rental.** Protecting existing affordable housing is important, even when it is the locale for concentrated poverty. Market-led reductions of rental housing stock will tend to displace low- and moderate-income households to other areas, deepening or spreading concentrated poverty elsewhere.

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Growth Management and Affordable Housing in Greater Toronto

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